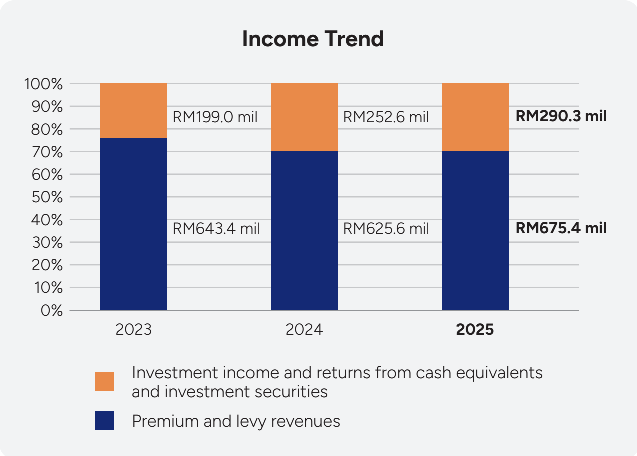
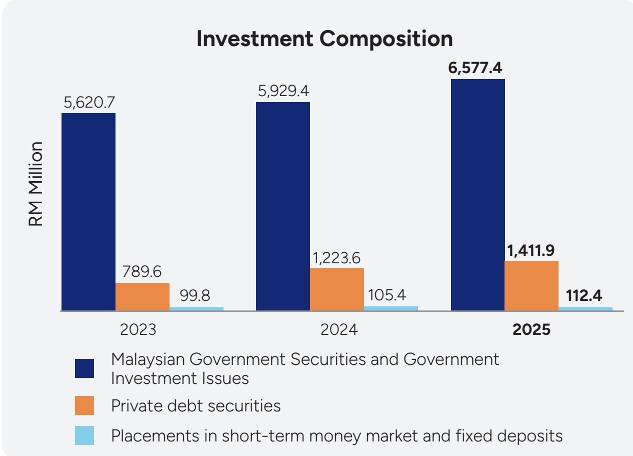
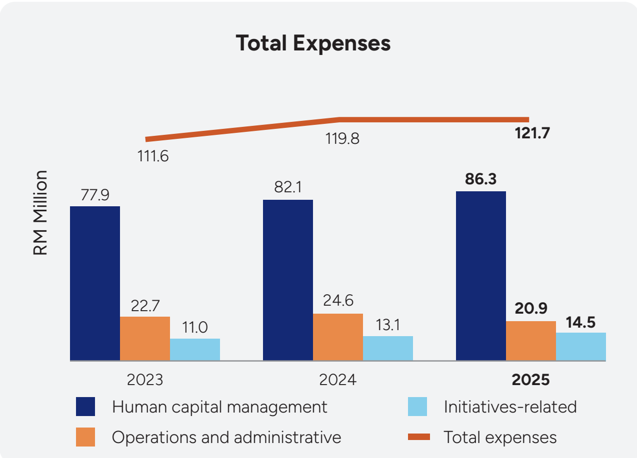
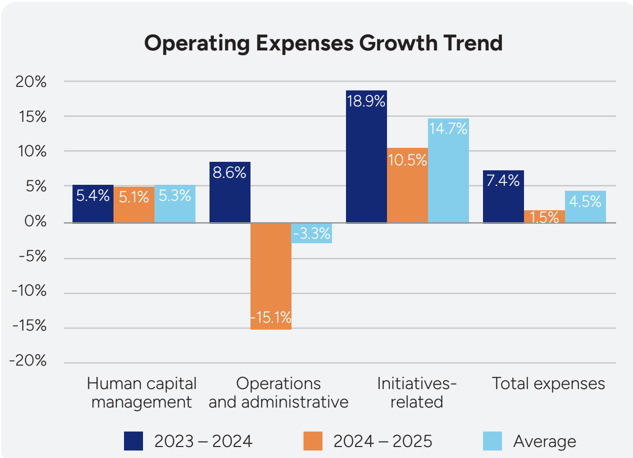
Summary of Financial Performance

Corporate Plan 2023 – 2025: Financial Performance Summary









All premium and levy revenues collected from member institutions contributed directly to the accumulation of the Protection Funds. Investment income and returns more than doubled over the corporate planning period, reaching RM290.3 million within three years, compared to the baseline year 2022. This growth was primarily driven by the expansion of investable funds, enhanced yields from a rebalanced portfolio and the expansion of the maturity horizon to capture higher interest rates and rates of return in the first half of the planning period. These returns have consistently outpaced the annual operating expenditures, bringing the weighted average expense-to-investment income ratio from 75% to below 50% over the planning period.

Human capital remained the largest cost component, accounting for an average of 69.7% of total expenses over the three-year period. Operations and administrative expenses represented an average of 19.4%, while initiatives-related expenses comprised the remaining 10.9%. Overall, PIDM maintained financial discipline, with total expenses increasing at an average rate of less than 5% over the planning period.

Throughout the planning period 2023 – 2025, PIDM remained steadfast in ensuring continuous operational effectiveness and cost efficiency. A key initiative was the rationalisation of PIDM's office space, which delivered significant and sustainable cost savings, as reflected in the operation and administrative expenses growth trend above. Over the planning period, investments in IT system licences, maintenance, and telecommunications remained stable.

The digital transformation agenda was achieved through cautious and prudent investments in technology, focused on establishing robust and scalable technological foundations to support future operational and service delivery requirements. In parallel, other initiatives-related expenditures were directed towards enhancing PIDM's readiness to fulfil our mandate, with particular emphasis on talent development and capability-building initiatives. As we aspire to develop a future-ready workforce, a total of RM3.0 million or on average 41.2% of other human capital-related expenses were spent on building employees' capabilities, particularly in resolution-related technical areas, digital literacy, cloud technical skills and leadership competencies.

PIDM spent an average of 23.0% of the total initiatives-related expenses over the three-year period to enhance the overall resolution and collaboration readiness through initiatives such as organising the NRS, Muzakarah events, interagency crisis preparedness binder and simulation exercises. Another 34.4% was utilised to enhance public confidence via public engagement initiatives such as the Sedia Payung Kewangan campaigns and East Malaysia outreach, hosting and attendance in bilateral and multilateral fora and rolling out social media and digital advertising campaigns using new communication materials.

Throughout the planning period, our priorities centred on strengthening our income base through sustainable investment returns, while upholding strong financial discipline by enhancing operational effectiveness and implementing cost-efficiency measures. We also ensured effective resource management, enabling the successful delivery of all planned initiatives within the approved budgets.

Financial Highlights for 2025

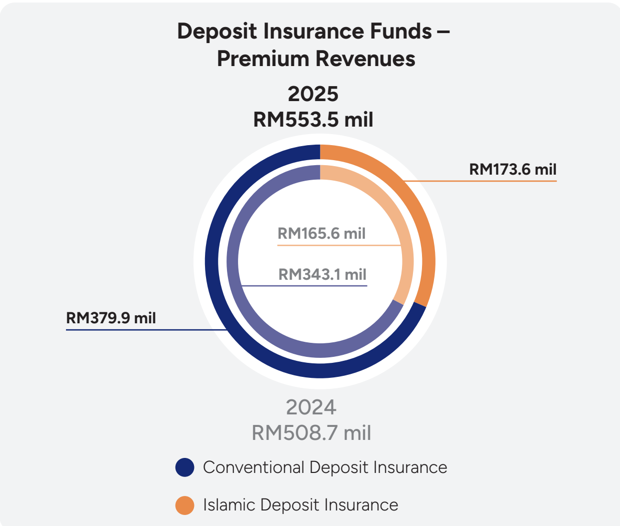
Total Income

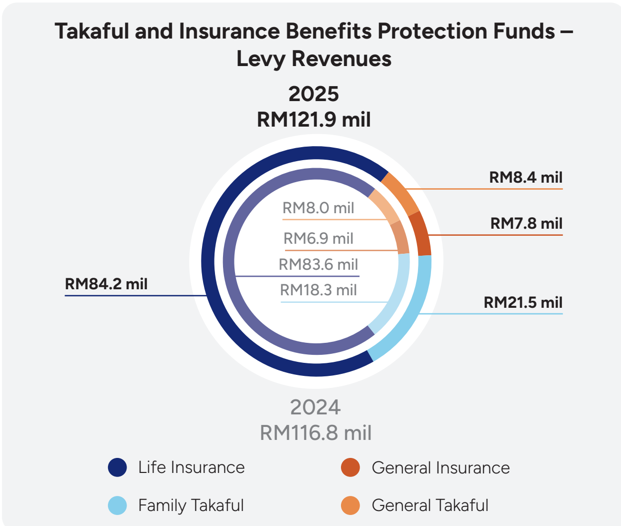
Premium and Levy Revenues

PIDM collects premiums from member banks and levies from insurer members annually, based on their risk profiles under the Differential Premium Systems (DPS) framework for banks, and the Differential Levy Systems (DLS) frameworks for insurance companies and takaful operators.

Both the annual premiums paid by member banks and the annual levies collected from insurer members are assessed as at 31 December of the preceding assessment year. Premiums are calculated based on Total Insured Deposits (TID), while levies are calculated based on the valuation of liabilities and net premiums and contributions.

Total premiums collected from member banks for 2025 were RM553.5 million, representing an increase of 9% compared to 2024. The higher premium was mainly driven by the implementation of the new DPS framework coupled with the growth in the TID base. The premiums collected included the first premium of RM250,000 each from two new digital banks that became PIDM members. Total levies collected from insurer members for 2025 were RM121.9 million, recording an increase of 4% compared to 2024. The increase was mainly attributable to the higher valuation of liabilities and net premiums and contributions.



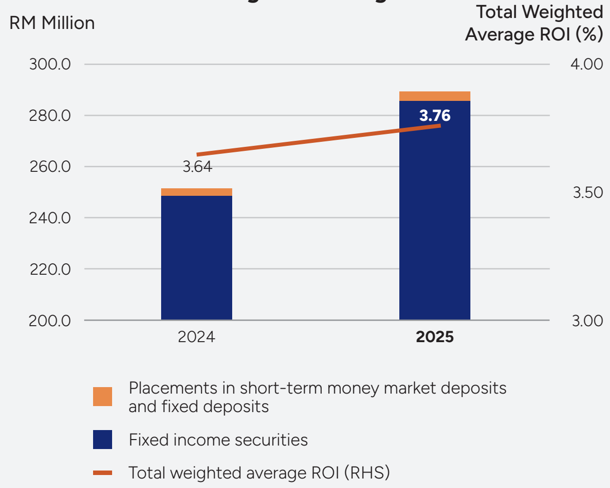


Investment Income and Returns

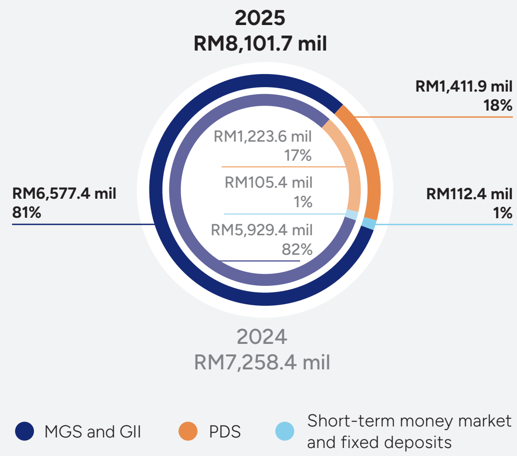
The primary source of our investment income and returns is from our fixed-income portfolio, which comprises Malaysian Government Securities (MGS), Government Investment Issues (GII), and selected AAA-rated Private Debt Securities (PDS) issued by Government-related entities.

Despite the softening interest rate environment during the year, PIDM's investment income and returns grew by 15% year-on-year to RM290.3 million (2024: RM252.6 million). The total weighted average return on investments (ROI) for the fixed-income investment portfolio and placements increased marginally to 3.76%, a 12-basis-point increase from the previous year. These increases are reflective of the expansion of the base of the investment portfolio as well as the investment optimisation strategies adopted during the year.

Investment Income and Returns and Weighted Average ROI



Investment Composition



Enhancements to capital

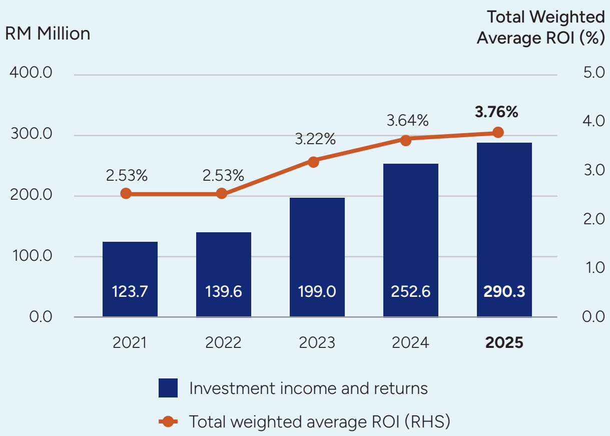
Financial capital

Effective and Robust Fund Management Approach

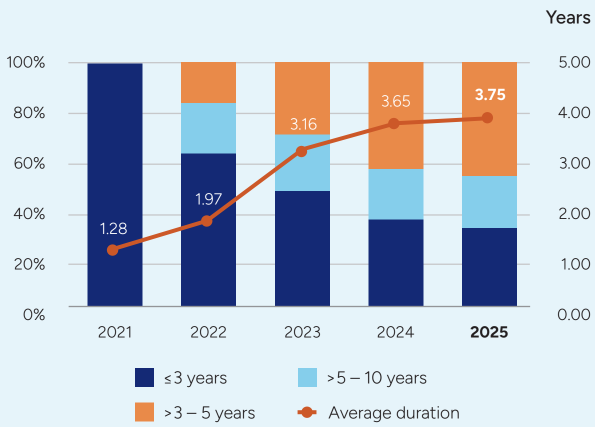
Over the years, PIDM's fund management approach has progressively transitioned from a conservative investment strategy focusing on short-term liquidity to a more dynamic strategic asset allocation approach. This shift enabled PIDM's investment returns to be more sustainable, capitalising on favourable interest rate environment and securing higher yields for longer periods while remaining within our legislative investment parameters. Key enhancements included extension of the approved investment tenure from three years to seven years in 2021 and subsequently to 10 years in 2022. The holding limit for AAA-rated debts issued by Government-linked entities was also expanded from 10% to 20% of the total funds. PIDM also strengthened our cash management by diversifying and increasing opportunities for fixed deposits and money market placements for better risk diversification and to optimise returns.

These measures have generated positive outcomes and strengthened our long-term resilience in managing the Protection Funds. On the back of favourable market conditions, the portfolio's weighted average returns rose from 2.53% in 2021 to 3.76% in 2025, with the average duration increasing from 1.28 years to 3.75 years. Investment income and returns grew by over 42% in 2023 to RM198.9 million, followed by a modest increase of 27% in 2024 and 15% in 2025, bringing investment income and returns to RM252.6 million and RM290.3 million, respectively, despite the softening interest rate environment.

Investment Income and Returns and Weighted Average ROI

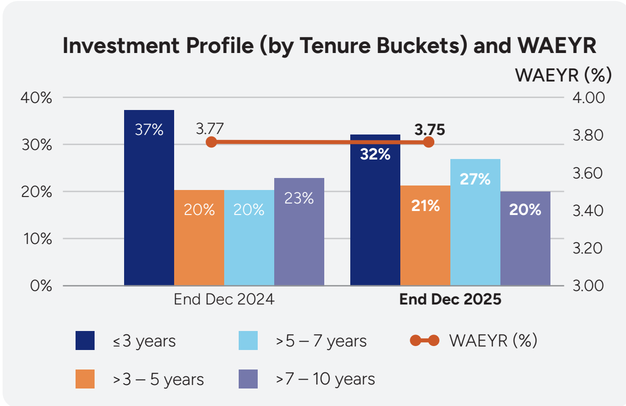


Investment Profile and Portfolio Duration



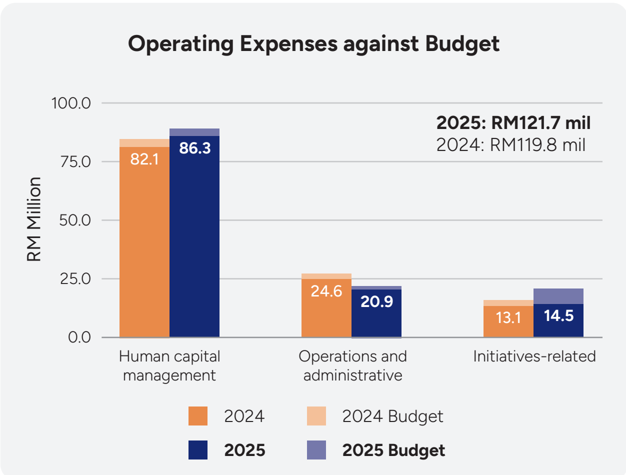
Investment portfolio as at 31 December 2025

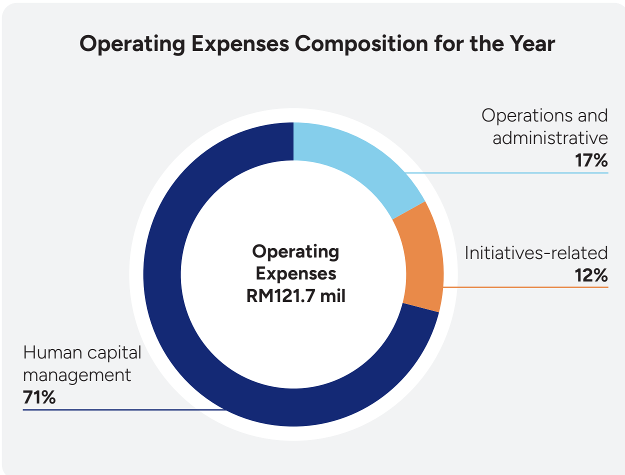
As at end-2025, 68.0% of the investment portfolio comprised instruments maturing beyond three years, compared to 63.0% in the previous year, with greater emphasis on the five- to seven-year tenures in line with our investment strategy in navigating the softening interest rate environment. The average duration of the portfolio has further lengthened to 3.75 years (2024: 3.65 years). The Weighted Average Effective Yield Rate (WAEYR) for fixed income investments remained broadly stable, decreasing marginally by 2 basis points to 3.75%. This reflects the continued effectiveness of PIDM's investment optimisation strategy despite the challenging yield environment.



Total Operating Expenses

The operating expenses in 2025 of RM121.7 million had increased by 1.5% compared to RM119.8 million in 2024. Against the budget, the total operating expenses were RM11.8 million or 8.8% lower, primarily attributed to lower expenses in all expense categories.

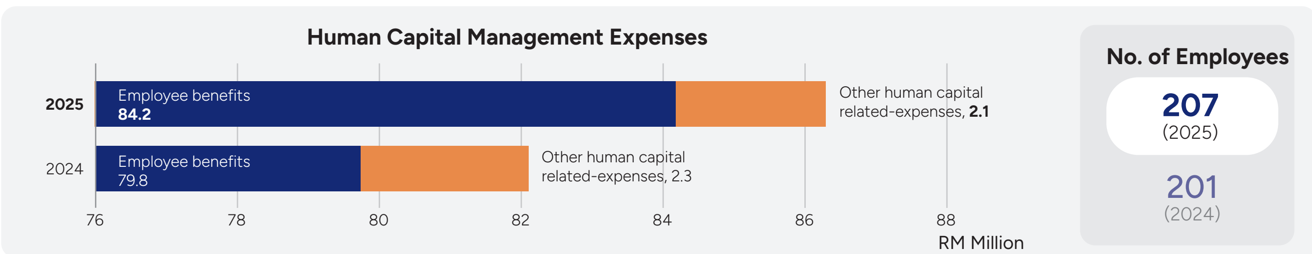




Human Capital Management Expenses

Total human capital management expenses increased by RM4.2 million to RM86.3 million in 2025 (2024: RM82.1 million), driven primarily by workforce expansion to support our digital transformation initiatives. As of the end of 2025, PIDM's workforce stood at 207 employees (2024: 201).

As part of our effort to promote a data-driven decision-making culture, in 2025, PIDM increased our investment in corporate-wide training on data literacy. Concurrently, PIDM continued to strengthen our resolution-related capabilities and leadership development to support overall organisational effectiveness.

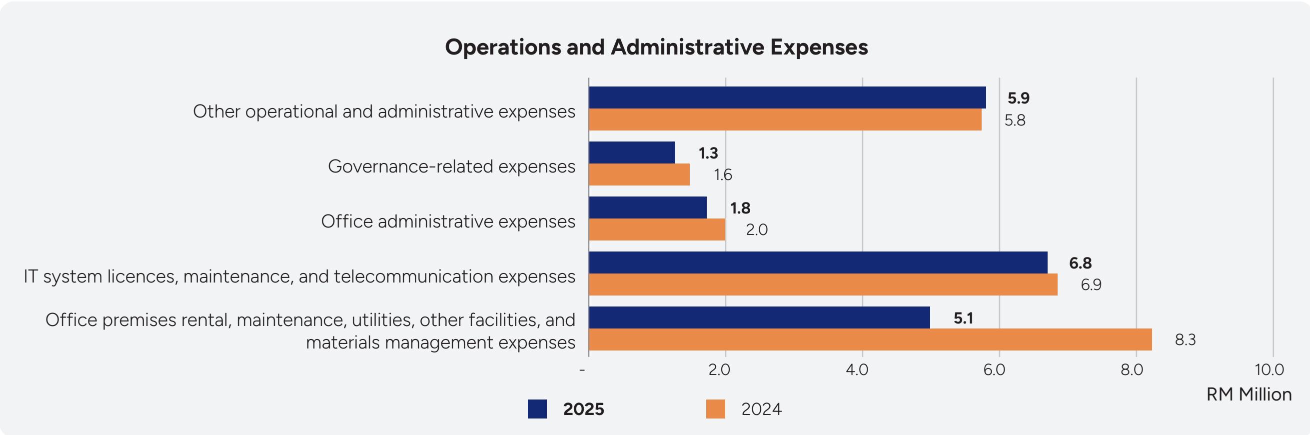


Enhancements to capital

Human capital **Intellectual capital**

Operations and Administrative Expenses

PIDM's operations and administrative expenses are primarily allocated to support our day-to-day office operations, encompassing expenses related to office rental and maintenance, as well as IT systems and telecommunications. PIDM's office space rationalisation initiative delivered substantial cost savings in 2025. Operational and administrative expenses declined by 15.1% to RM20.9 million (2024: RM24.6 million), and were 8.0% lower than budget, driven by the rationalisation effort and further supported by lower costs for utilities, maintenance and other facilities management.



Enhancements to capital

Intellectual capital **Manufactured capital** **Social and relationship capital**

Initiatives-related Expenses

The initiatives-related expenses support the implementation of corporate initiatives aligned with PIDM's strategic pillars and KRAs under the Corporate Plan 2023 - 2025. During the year, we executed our strategic plans within the approved budget to achieve the intended outcomes for each strategic pillar. Total initiatives-related expenses increased by RM1.4 million compared to the previous year particularly for Strategic Pillar 3, which increased by RM1.5 million primarily due to strategic investment to strengthen PIDM's digital infrastructure. Overall, total initiatives-related expenses were 31.3% below budget, arising from savings as well as realignment of plans during the year.

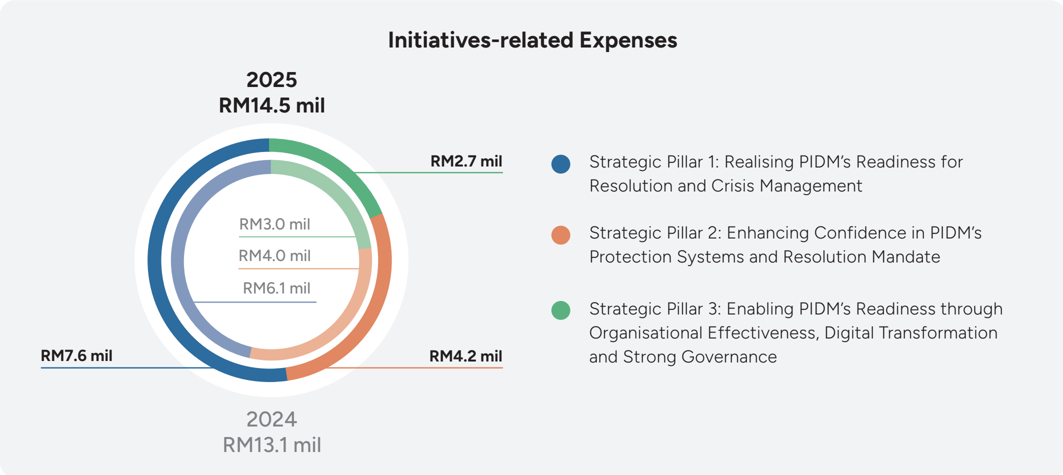
In 2025, the key costs drivers for Strategic Pillar 1 included hosting the NRS and Muzakarah sessions, conducting an end-to-end simulation exercise, producing research papers on Shariah issues and engaging in regional discussions with foreign resolution authorities on cross-border matters.

Major initiatives and costs drivers for Strategic Pillar 2 were social media and digital advertising campaigns, on-ground engagements with the public and media as well as collaboration with FEN on financial literacy efforts. During the year, PIDM had invested in our new PIDM corporate website which was launched in September 2025. International initiatives included participation in bilateral and multilateral international fora.

Key initiatives under Strategic Pillar 3 focused on two main areas, namely the development of PIDM's human capital and the strengthening of our digital infrastructure. On human capital, a key initiative was the review and development of the revised Competency Framework. During the year, PIDM invested in establishing our Virtual Data Centre to facilitate effective implementation of our cloud infrastructure and applications. PIDM also developed a modern data management platform to enhance data analytics capabilities. In supporting the digital transformation journey, we also continued to invest in maintaining robust cybersecurity measures.

Enhancements to capital

Human capital **Intellectual capital** **Manufactured capital** **Social and relationship capital**



Financial Position

Total Protection Funds as at 31 December 2025 amounted to RM8,199.3 million, an increase of RM843.4 million or 11.5% year-on-year. The Protection Funds are supported by total assets of RM8,226.2 million and net of liabilities of RM26.9 million.

Our assets remained highly liquid at 99.5%, with financial assets comprising cash, cash equivalents, investments, as well as investment income receivables. Total assets grew by 11.5%, driven primarily by higher investments and an increase in cash and cash equivalents.

Total liabilities rose by 10.9% mainly due to higher payables and accruals related to normal operational transactions during the year as well as the increase in provision for long-term retirement plan liability.

Details of the items within the Statement of Financial Position are in the Notes to the Financial Statements.